

Border Trade Admists Intense Conflict

The SAC is attempting to replace the northern Shan trade route with a new one in eastern Shan, but this plan has yet to materialize.

There are 17 border trade stations between Myanmar and its five neighboring countries. Within the last seven months, Ethnic Armed Organizations (EAOs) have taken control of five border trade stations bordering China, Thailand, and India. Among the five trade stations controlled by the EAOs, three stations, Muse, Chinshwehaw, and Lwegel, are on the Myanmar-China border. The remaining two are Mese Station on the Myanmar-Thailand border and Rihkhawdar Station on the Myanmar-India border. The Karen National Union (KNU) and its allied forces temporarily took control of Myawaddy, an important town for the Myanmar-Thailand border trade. However, the control is now under the Border Guard Forces (BGF).

Over the course of the three-year coup, Myanmar's foreign trade totaled approximately USD 105.7 billion. Of this total, maritime trade accounted for nearly USD 78.5 billion and border trade nearly USD 27.2 billion. The estimated border trade value of the five stations controlled by EAOs is approximately USD 9.5 billion, while the SAC currently controls border trade worth USD 17.7 billion.

Therefore, when ratioed in percentage, maritime trade accounted for 74.3 percent of the total foreign trade values during the

three years of the coup. The remaining 16.7 percent is from border trade stations under the SAC's control, and the remaining nine percent is from border trade stations that the EAOs control. Compared in percentage, the border trade value is less than the maritime trade value. However, Myanmar society faces increased pressure due to disruptions in trade flow caused by escalating armed conflicts.

Border Trade Hits the Breaks

The border trades at the Muse and Chinshwehaw stations, controlled by the Three Brotherhood Alliance (3BHA), as well as the Sittwe and Maungdaw stations at the center of the conflict with the Arakan Army (AA) and the Rihkhawdar station under the Chin National Army (CNA), have all come to a standstill. The Mese station, controlled by the Karreni Nationalities Defence Force (KNDF), ceased operations in late 2020. Additionally, the Lwegel station under the Kachin Independence Army (KIA) has also suspended trade. The escalating conflict since late May has led to the blockade of the Bhamo-Mandalay road by both opposing forces.

Since the initiation of Operation 1027 in late October 2023 and its revival in the last

▶ week of June 2024, the Northern Shan trade route, which runs through the Northern Shan and primarily facilitates trade with China, seems to have come to a complete halt. Traders and the SAC attempted to find alternative routes after the first phase of Operation 1027 ended, with plans to utilize the Kengtung station in the Eastern Shan State instead of passing through the Mongla gate under the control of the Mongla Special Region-4 (NDAA-ESS) and Lwegel gate in Kachin State. However, the Lwegel trade route is no longer feasible, and using the Mongla gate takes longer and costs three times the regular price.

Regarding border trade with Thailand, the SAC continues to control the Nabule/Htee Khee stations in the Thanitharyi Region, but these stations mainly import natural gases. The Myawaddy station, the second largest station, have a slow trade flow following the battles in late 2023. While the Myawaddy town returned to the BGF's control, the Myawaddy-Kawkareik Asian Highway is still not in use. Instead of the Myawaddy border trade route, an alternative rural route, the Htaw Kaw Koe-Kyaw Kho road of up-stream and down-stream is used with a one-day alternate schedule. This route is longer, and smaller trucks must be used to transport smaller consignments of goods instead of large trucks. Previously, goods could be transported via the Asian Highway using 40-foot container trucks, with a transport cost of 12 million Kyats per truck to Yangon. Currently, the same amount of goods must be split and transported using three 6-wheel trucks,

which can only carry 7-9 tons each, with transport costs to Yangon ranging from 4 million to 4.8 million Kyats. Trade fees become higher and various armed groups also impose taxes along the route. Additionally, it is risky due to unexpected dangers. The ongoing inflation of the Myanmar Kyat is also severely affecting traders. For instance, the large price gap between purchasing, storing, and delivering goods often leads to losses for traders. However, it's the consumers who bear the brunt of these impacts, as they ultimately face higher prices.

Border trade with Bangladesh through Sittwe and Maungdaw stations has also been halted. Many towns in Rakhine State currently face shortages of rice, food products, and medicines, as well as inflation. The Rihkhawdar station at the Myanmar-India border, under the control of Chin resistance forces, has stopped trade since April 2022, and the Tamu station at Sagaing Region could only operate minimal trade due to conflicts and hardships en route.

Maritime and Airway Cargo Trades

When faced with challenges on the Myawaddy land trade route, the SAC transitioned to maritime trade. In trading with Thailand, the Myawaddy route is replaced via the Yangon-Kawthoung-Ranong maritime route. Despite not being a major port for Thailand, Ranong Port is a deep-sea port that opens to the Andaman Sea and has the capacity to handle 12,000 containers simultaneously.

On April 11, SAC Ministry of Commerce announced and issued licenses to allow containerized maritime trade between Myanmar and Thailand (Yangon-Kawthoung-Ranong), indicating that this should be carried out using existing border trade methods. This alternative route was implemented to expedite trade flow amidst difficulties with the land routes. Myanmar exports fishery products and palm oil products to Thailand, while Thailand exports cement, fertilizers, petrol, diesel, and industrial raw materials to Myanmar.

According to the Ministry of Commerce, trade volume via the Ranong-Kawthoung border in 11 months of the 2023-2024 fiscal year was nearly USD 200 million. According to merchants, ships from Ranong can reach Yangon in three to four days, allowing for reliable scheduling without additional security costs or extra charges. The transport cost is around 10 million Kyats per container, making it more affordable than land border trade. Seven shipping lines operate in Ranong, with each company running between 7 to 30 ships.

During the border trade crisis, Myanmar also increased cargo trade by air with Kunming in Yunnan Province, China. However, air cargo transportation is more expensive and requires planning for round-trip shipments. About half of Myanmar's main exports, agricultural products, and fishery products are shipped through border trade. Essential consumer goods, including medicines and food, are primarily imported from neighboring countries across borders.

Comparing the 2022-2023 and 2023-2024 fiscal years, exports of agricultural products through border trade decreased by nearly USD 330 million in the 2023-2024 fiscal year. Most other exports also declined, and imports of consumer goods through border trade significantly decreased in the 2023-2024 fiscal year.

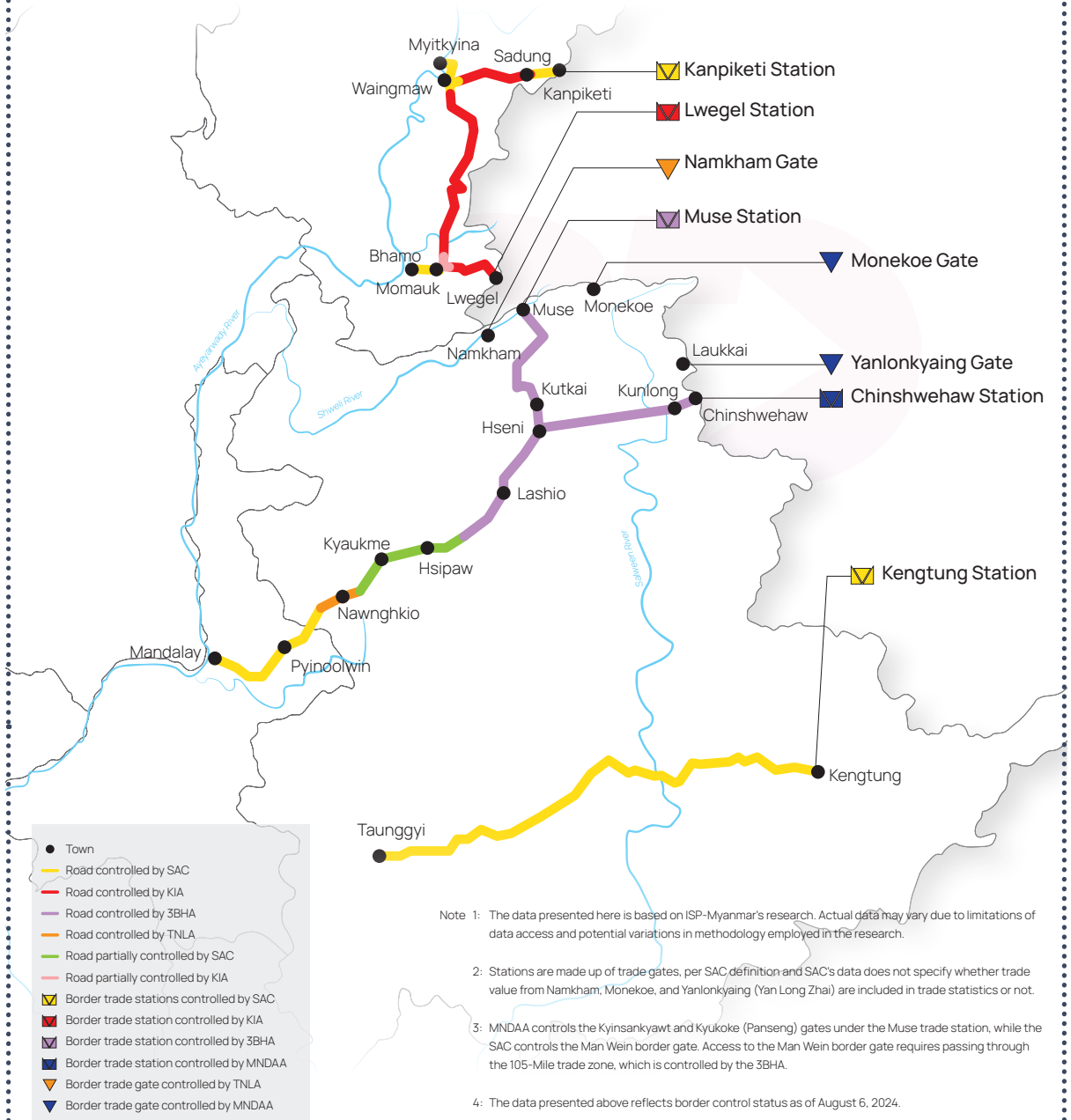
Increase in Illegal Trade

The SAC Deputy Prime Minister, Vice Snr. Gen. Soe Win disclosed that, after comparing international trade data (ITC), trade records between Myanmar and China, Thailand, India, and Japan exhibit a variance of USD 6 billion to USD 12 billion. ISP-Myanmar's research findings suggest that, compared to the General Administration of Customs of China's (GACC) report, the variance in the three years since the coup amounts to USD 37 billion.

While most traders have preferred to comply with regulations and to pay taxes in order to participate in legal trade, the current crisis has increased the level of illegal trade. Estimates suggest that illegal trade now accounts for about 80 percent of border trade, with legal trade only around 20 percent. (Previously, it was estimated that legal trade accounted for 80 percent, with 20 percent illegal trade). In eastern Shan State, trade with China takes place via the Wan Pong port through the Mong La region. Similarly, illegal trade activities are thriving in Kachin State's Kanpiketi station, Tanintharyi Region's Maw Taung Gate, and Karen State's Hpa Yar Thone Su Gate.

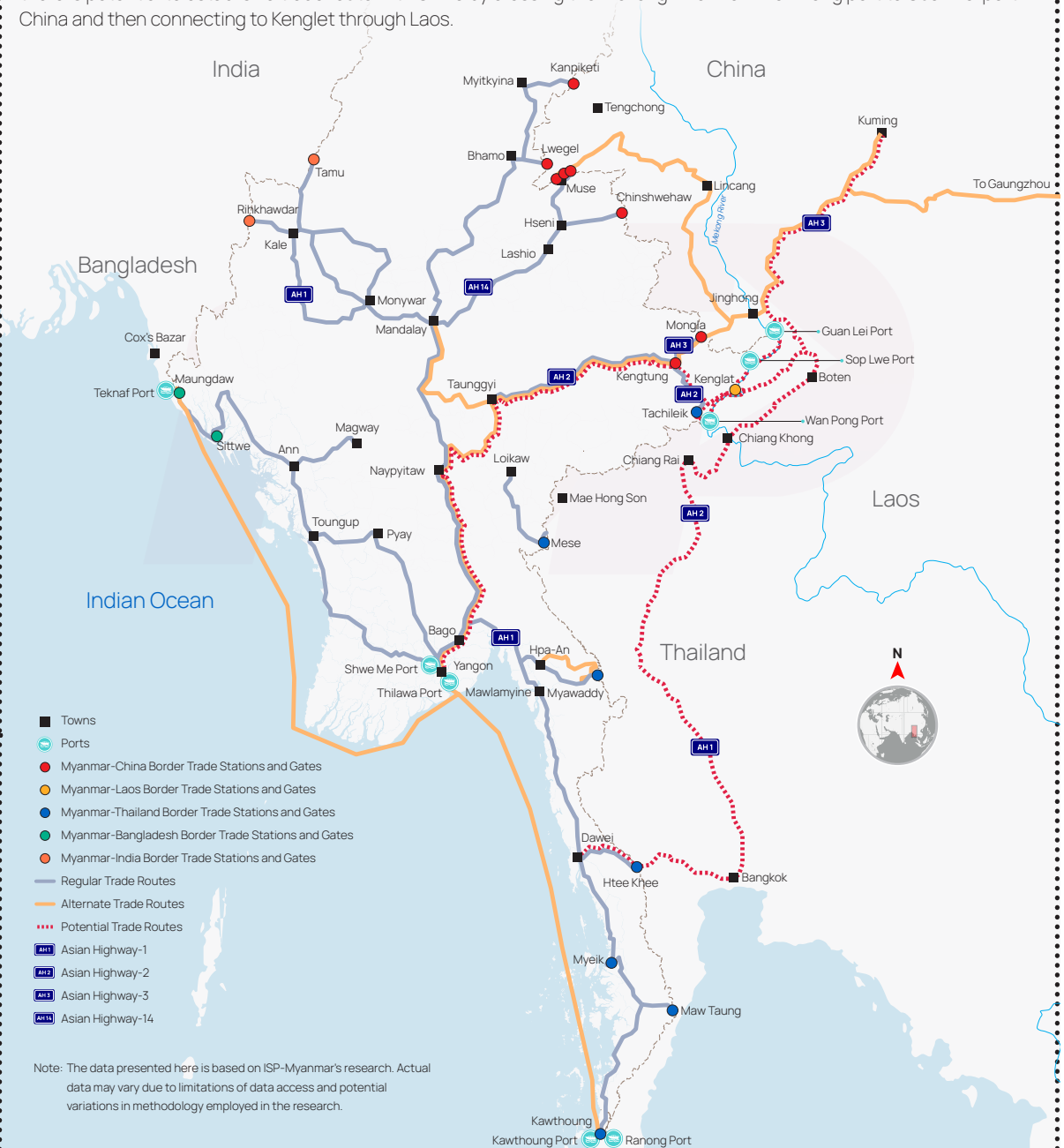
■ EAOs Control 91 Percent of Myanmar-China Cross-Border Trade Value

Over three years after the coup, the total border trade value at **five** Myanmar-China border trade stations reached **USD 10.3 billion**. The trade value at three key border stations now controlled by Ethnic Armed Organizations (EAOs) - **Muse**, **Chinshwehaw**, and **Lwegel**- amounts to **over USD 9.4 billion**, constituting nearly **91 percent** of the total cross-border trade value between Myanmar and China. On the other hand, the Kanpiketi and Keng Tung border trade stations, controlled by the SAC, amount to just **over USD 930 million**. Furthermore, the SAC exerts complete control **over only one** of the six trade routes connecting these five border trade stations.



■ Border Trade Routes: Old, New, and Potentials

After the trade route in Northern Shan came to a halt, the State Administration Council (SAC) attempted to establish a new route. Following Operation 1027, trade was conducted through Kengtung station in eastern Shan State to Mongla gate, controlled by Mongla Special Region-4 (NDAA-ESS). The SAC seems to have considered the new eastern Shan route, centered around Kengtung, where two Asian Highways intersect, to trade with China, Thailand, and Laos. This route has been considered since 2019 and is also linked to the regional cooperation initiatives of the Mekong countries. Furthermore, there is potential to establish a trade route with China by crossing the Mekong River from Wan Pong port to Guan Lei port in China and then connecting to Kenglet through Laos.



The Haigeng Discussions, facilitated by China, aimed to negotiate the reopening of border trade routes in northern Shan State. However, it now seems impossible. The border trade stations controlled by the EAOs are not recognized by the SAC, and it is challenging for the Beijing government to reach a contractual agreement with non-state actors. During Part 2 of Operation 1027, China shut the border gates under the Myanmar National Democratic Alliance Army (MNDAA) and the Ta'ang National Liberation Army (TNLA). The Muse, Chinshwehaw, and Lwegel station's trade value totals 91 percent of Myanmar-China border trade.

The State Administration Council (SAC) is ramping up efforts to establish a new trade route in eastern Shan State, focusing on Asia Highways 2 and 3, as well as Kengtung, which is considered stable in the region. The objective is to open up a new border trade route connecting China,

Thailand, and Laos. However, the realization of this route appears questionable if the ongoing conflict in the eastern and southern Shan States extends further.

According to ISP-Myanmar's survey titled "Myanmar's Key Stakeholders and Their Perceptions of Sino-Myanmar Relations – A Survey (2023)," published in April 2024, 37 percent of the respondents believed that the economic relationship between China and Myanmar would only improve after another three years. Meanwhile, 33 percent of the respondents answered that the relationship would not likely improve. When compared with reality, cross-border trade, an economic relationship currently deteriorating, will directly impact people of different socioeconomic classes, essential foods, and goods, likely leading to a worsening situation. ■

View "Myanmar's Key Stakeholders and Their Perceptions of Sino-Myanmar Relations – A Survey (2023) ➤

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